

A FRAMEWORK FOR UNDERSTANDING AND REDUCING POVERTY*

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*Invited keynote address given at the *2006 Anti-Poverty Forum: Why Poverty Affects Us All*, sponsored by the City of Milwaukee and Mayor Tom Barrett, June 29, 2006, Milwaukee, Wisconsin.

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Let me first say how pleased I am to be here, and to get to share some of my thoughts with you this morning. I'm also looking forward to getting the chance to listen to your ideas and experiences and hearing from all of the panelists today. It should be a terrific conference.

I'd particularly like to commend the Mayor for sponsoring this event, and emphasizing the importance of confronting poverty as a social and economic issue. I only wish that there were more mayors, more governors, and more presidents who recognized the importance of this issue as Mayor Barrett does. And finally I'd like to thank David Riemer for all of his help, friendship, and insights over the past few months in organizing my visit.

There are three issues that I'd like to take my 20 minutes of time talking about, and I thought that these would be good starting points for providing a context for today's conference. David and Deborah have already given us an excellent overview on the extent and trends of poverty in Milwaukee. What I'd like to discuss are three topics:

- 1) How might we better understand the reasons behind poverty?
- 2) Based upon this understanding, what are some solutions to American poverty?
- 3) How can we go ahead and get not just those in this room, but a majority of population engaged and working towards these solutions?

I. Understanding American Poverty

One of my central arguments is that a key reason behind why the United States has consistently had the highest rates of poverty in the developed world, is that we have seriously misunderstood the reasons behind poverty, and as a result our policies have not addressed the

fundamental problems. We've repeatedly tried to explain poverty in this country in terms of individual deficiencies – people not working hard enough, not having the right attitudes, not having the necessary skills and education, and so on.

One of the main points that I want to make is that in order to understand much of the dynamic behind American poverty, one must understand that it is by and large the result of a failure at the structural rather than the individual level. There simply are not enough viable opportunities for all Americans.

What I argue is that individual deficiencies, such as the lack of education or skills, helps to explain who's more likely to be left out in the competition to locate and secure such opportunities, but it can't explain why there's a shortage of opportunities in the first place. In order to answer that question we must turn to the inability of the economic, political, and social structures to provide the supports and opportunities necessary to lift all Americans out of poverty.

The most obvious example of this is the mismatch between the number of decent paying jobs, versus the pool of labor in search of such jobs. For example, in the past 30 years we've been producing more and more low paying jobs that are lacking in benefits, particularly health insurance.

In some of the analyses I've done using Census data, depending upon how the labor force is defined, between 10 and 33 percent of household heads were unable to raise their families out of poverty or near poverty through their job earnings. Or another way of seeing this is that nearly one third of these household heads were in jobs that paid less than \$10.00 an hour.

And of course, beyond these low-paying jobs, there are millions of Americans that are unemployed at any point in time. Last month that number was around 7 million people. That figure doesn't include approximately half a million Americans who have given up looking for work because they feel that there simply aren't jobs available for them, or the roughly 2 million Americans who are currently in prison.

Exacerbating this situation is the fact that the American social safety net is extremely weak, resulting in sizeable numbers of families falling through its rather large holes. As we're all aware, the U.S. has failed to offer the types of universal coverage for child care, medical insurance, child allowances, or affordable housing that most other developed countries routinely provide. The result is an increasing number of families at risk of economic vulnerability and poverty.

The way that I illustrate this situation in my book is with an analogy to musical chairs. What I say is, picture a game of musical chairs in which there are ten players but only eight chairs available at any point in time. Those who are likely to lose out at this game tend to have characteristics that put them at a disadvantage in terms of competing for the available chairs (such as less agility, not as much speed, a bad position when the music stops, and so on). However, given that the game is structured in a way such that two players are bound to lose, these individual attributes only explain who in particular loses out, not why there are losers in the first place.

The critical mistake that's been made in the past is that we've equated the question of who loses out at the game, with the question of why the game produces losers in the first place. They are, in fact, distinct and separate questions. While characteristics such as deficiencies in skills or education, or being in a single parent family, help to explain who in the population is at a heightened risk of encountering poverty, the fact that poverty exists in the first place results not from these characteristics, but rather from a failure of the economic and political structures to provide enough decent opportunities and supports in society.

By focusing solely upon individual characteristics, such as education, we can shuffle people up or down in terms of their being more likely to land a job with good earnings, but we're still going to have somebody lose out if there aren't enough decent paying jobs to go around. In short, we're playing a large scale version of musical chairs in which there are many more players than there are chairs.

The recognition of this dynamic represents a fundamental shift from our old ways of thinking. It helps to explain why the social policies of the past two decades have largely been ineffective in reducing the rates of poverty. We've focused our attention and resources on either altering the incentives and disincentives for those playing the game, or in a very limited way, upgrading their skills and ability to compete in the game, while at the same time we've left the structure of the game untouched.

When the overall rates of poverty do in fact go up or down, they do so primarily as a result of changes on the structural level that increase or decrease the number of available chairs. In particular, the performance of the economy has been historically important. Why? Because when the economy is expanding, more opportunities (or chairs) are available for the competing pool of labor and their families.

The reverse occurs when the economy slows down and contracts. Consequently, during the 1930's when the economy was doing badly, poverty rates went up, while during periods of economic prosperity such as the 1960's or the middle to later 1990's, the overall rates of poverty declined.

Likewise, changes in various social supports and the social safety net will make a difference in terms of how well families are able to avoid poverty or near poverty. When such supports were increased through the War on Poverty initiatives in the 1960's, poverty rates declined. Or when Social Security benefits were expanded during the 1960's and 1970's, the elderly's poverty rates sharply declined. Conversely, when social supports have been weakened and eroded, as in the case of children's programs over the past 25 years, their rates of poverty have gone up.

The recognition of poverty as a structural failing also makes it quite clear why the United States has such high rates of poverty compared to other Western countries. These high rates have nothing to do with Americans being less motivated or less skilled than those in other countries, but with the fact that our economy has been producing millions of low wage jobs in the face of

global competition and that our social policies have done relatively little to support families compared to our European neighbors. This has been shown repeatedly in analyses that have used the Luxembourg Income Study. From this perspective then, one of the keys to addressing poverty is to increase the labor market opportunities and the social supports available to American households.

To summarize, a shift in thinking about the causes of poverty from an individually based explanation to a structurally based explanation allows us to distinguish and make sense of two specific questions. First, why does poverty exist? And second, who is more likely to experience poverty?

The musical chairs analogy handles both questions. Poverty exists primarily as a result of a shortage of viable economic opportunities and social supports for the entire population. Given this shortage, a certain percentage of the population is ensured of experiencing poverty. Individuals with a heightened risk of being on the short end of this economic stick, will be those who are least able to effectively compete for the limited number of decent economic opportunities. This includes those with fewer marketable skills, less education, ill health, single parents, those in inner cities or remote rural areas, and so on. This approach recognizes the fundamental distinction between understanding who loses out at the game, versus understanding how and why the game produces losers in the first place.

II. Strategies to Reduce Poverty

What then can we do to increase the number of chairs in the game? In my book I discuss five overall strategies that I believe are critical:

1) Creating Enough Adequately Paying Jobs

Supplementing and Raising the Wages of Existing Jobs

Raising and Indexing the Minimum Wage

Earned Income Tax Credit

Creating Enough Jobs

2) Increasing the Accessibility of Key Social and Public Goods

Quality Education

Health Care

Affordable Housing

Child Care

3) Buffering the Economic Consequences of Family Changes

Child Support Policies

Preventing Teenage Pregnancies

4) Building Assets

Individual Assets

Community Assets

5) Providing an Effective Safety Net

These five strategies taken together have the potential to move millions of Americans out of poverty and to prevent millions from falling into poverty. They also have the potential to make America a much more productive and livable society. But this leads to the third point that I want to discuss.

III. Can We Create These Changes?

We can talk all we want today about policies and strategies for dealing with poverty, but we must convince the majority of the population, whether in Milwaukee, whether in Wisconsin, or whether in the nation as a whole, that poverty and widening economic inequality are issues of vital importance, and, as the subtitle for this conference as well as my book states, an issue that affects us all. Anti-poverty policies are never going to go anywhere unless a majority of the population sees the importance of these policies.

And so the last point I want to go over is the importance of changing the American mind set with respect to poverty, to showing Americans that the issue of poverty is of vital concern to their own well-being and to the country's well-being. In the past, we as a country have viewed poverty as primarily affecting those who are currently poor, and perhaps their neighborhoods. We've consistently failed to recognize the connections that all Americans have to poverty. This is epitomized by the distinction that we often implicitly make between *them* versus *us* – that is, the poor versus the nonpoor.

A new way of thinking about poverty is called for that breaks down this distinction by demonstrating that virtually all Americans are affected by poverty in one way or another. We know from countless research studies that impoverishment produces greater numbers and more severe health problems, inadequately educated children, and higher rates of crime, all issues that you're grappling with here in Milwaukee. As a result, we pay more for health care, produce less productive workers, and divert needed resources into the building and maintaining of correctional facilities.

In each of these cases, money is being spent on the back end of the problem rather than on the front end, which is assuredly a much more expensive approach to take. To argue that we don't pay a steep price for our widespread poverty is putting our heads in the sand.

But there's another way to demonstrate that poverty affects us all. In a series of analyses that I've conducted with my colleague Tom Hirschl at Cornell, it turns out that a clear majority of the American population will encounter poverty firsthand at some point during their lifetimes. Between the ages of 20 and 75, 60 percent of Americans will experience at least one year below the official poverty line, while three quarters will encounter poverty or near poverty. But even more surprising, two thirds of Americans will utilize some type of social welfare program such as food stamps between the ages of 20 and 65. These numbers drive home the fact that poverty casts a very long shadow across the population. Rather than it being a question of *them*, poverty is clearly a question of *us*.

One of the reasons that so many people will personally experience poverty is because during the course of a lifetime, many things can happen, some of which are unanticipated. People lose jobs, families split up, individuals become sick, people grow old. All of these events have the potential to lead individuals into poverty.

And in fact, we've become more vulnerable over time. Over the past 30 years, more and more economic risk has been shifted from government and business, unto the backs of individual Americans. Job security has become much more unstable, social security may be privatized, the social safety net has been shredded, health care is harder to come by, and so on. The bottom line is that more of us are at risk of income insecurity and poverty. Both indirectly and directly, poverty affects the vast majority of the American population, and that message needs to be made more public.

Yet each of us are affected by poverty in a somewhat different fashion as well – its presence undermines us as a people and as a nation. It diminishes us all by tarnishing the integrity

of our values. For example, the presence of widespread poverty juxtaposed against immense material prosperity would appear to contradict much of what the Judeo-Christian ethic stands for.

The Judeo-Christian ethic emphasizes that the barometer for a just and compassionate society lies in its treatment of the poor and vulnerable. That we will be judged by what we do for the least among us. As a nation and as a people we would appear to be badly failing at this test. Likewise, poverty impedes the ability of lower income Americans to enjoy the full blessings of liberty, equality, and justice.

For example, the ideal of equality of opportunity is made a mockery of when some American children are entitled to a first rate education with cutting edge technology and superb extra curricular activities, while other American children are in schools that are struggling just to get the bare minimum resources necessary to teach. All are American children, yet it would appear that all are not entitled to the concept of equality of opportunity.

This undermines every citizen, because it suggests that the American ideals we profess to believe in apply to some more than to others. This contradicts the very core of the American promise, diminishing each of us. After all, the pledge of allegiance doesn't end with the words, "liberty and justice for some," or "liberty and justice for most," but "liberty and justice for all." If the principles of America are to truly mean something, then they must apply not just to the powerful and privileged, but to the poorest family living here in Milwaukee Wisconsin.

Just as each of us is affected by poverty, each of us also has a responsibility for ending poverty. A new way of thinking suggests that the alleviation of poverty will require a collective commitment from all Americans. This is in sharp contrast with the old way of thinking, where the poor are basically left to fend for themselves. A new understanding recognizes that poverty is an issue of public policy and requires a broad based commitment.

Within the old way of thinking, the public's apathy towards the poor has been part of the problem. Within a new way of thinking, the public's engagement in alleviating poverty is part of the solution.

And so I would challenge us to take this message forward. It's not just about programs and policies (although these are absolutely vital) but it's also about the heart and soul of what this country should stand for. It's about creating an environment that allows all Americans to live up to their full potential. It's about changing the mind set of the country, and realizing that poverty indeed affects us all.

Of course, the question arises, can such a change in thinking and policy occur? It would be foolish not to acknowledge that accomplishing these changes will be an uphill battle, particularly within the current political climate. But on the other hand, perhaps this is also a moment of opportunity. Much has been written about the fact that the political parties were lacking in their domestic vision of where to take the country in the last Presidential election.

The issue of rising vulnerability and widening economic inequality is one that I believe will reverberate in the years ahead. We're talking about a vast majority of Americans who are directly affected by this. And so this is an opportunity to speak about both morality and values, and smart economic and social policy.

Finally, let me conclude by noting that social change in understanding issues can and does occur. To take but one example, think about the profound change that has occurred in how we've come to view the physical environment. Our thinking has shifted from one of environmental damage and pollution being someone else's problem, to recognizing it as being a problem that affects us all. It was this shift in thinking which then helped to put in place environmental protections within a relatively short period of time.

In other words, there had to be shift in thinking in how we understood the physical environment and the dangers of environmental pollution, in order for various pieces of legislation and protections to come about and be put in place. My argument is that now is the time for such a change with respect to how we view poverty in this country. Poverty is not just someone else's problem, it's a problem facing us all. Poverty is not just burden for some, it is a blight and disgrace on us all. As the old saying goes, "Poverty is no shame for those who have not. Poverty

is a shame for those who have. A poor man shames us all.” If we can move the country to this realization, the policies and programs will follow.

So with the recognition that significant social change can occur, let me end with three of my very favorite quotations. The first is from George Bernard Shaw who wrote, “Progress is impossible without change; and those who cannot change their minds cannot change anything.”

The second is from Justice Brandeis who observed, “Most of the things worth doing in the world had been declared impossible before they were done.”

And the third is from Margaret Mead who said, “Never doubt that a small group of committed citizens can change the world. Indeed, it is the only thing that ever has.”

I would ask that we take this spirit of positive social change forward into the conference today, and that you take it forward into the important work that you’re doing right now. Let us make poverty a condition that Americans come to realize should not, and will not, be tolerated in a land where we truly live up to the values of liberty and justice for all.

Thank you very much.